



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

February 28, 2012

Jeff Vomund, Executive Director
The Acts Partnership Corporation
4202 Natural Bridge
St. Louis, MO 63115

RE: Community Development Block Grant (CDBG) (Project #2012-CDA13)

Dear Mr. Vomund:

Enclosed is the report of the fiscal monitoring review of The Acts Partnership Corporation, a not-for-profit organization, CDBG Program, for the period January 1, 2011 through September 30, 2011. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of The Acts Partnership Corporation. Fieldwork was completed on November 1, 2011.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

THE ACTS PARTNERSHIP CORPORATION

**CONTRACT #11-36-17
CFDA #14.218**

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH SEPTEMBER 30, 2011

PROJECT #2012-CDA13

DATE ISSUED: FEBRUARY 28, 2012

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
THE ACTS PARTNERSHIP CORPORATION
FISCAL MONITORING REVIEW
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INTRODUCTION

Background

Contract Name: The Acts Partnership Targeted Management Assistance Program

Contract Number: 11-36-17

CFDA Number: 14.218

Contract Period: January 1, 2011 through December 30, 2011

Contract Amount: \$226,668

The contract provided Community Development Block Grant (CDBG) funds to The Acts Partnership Corporation (Agency) to combat physical deterioration and improve stabilization of existing housing stock in the 21st Ward neighborhoods of Penrose and O'Fallon. The Targeted Management Assistance Program (TMAP) works to abate problem nuisance properties with housing code violations, sanitation, noise, drugs and other problems.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local Community Development Administration (CDA) requirements for the period January 1, 2011 through September 30, 2011, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on November 1, 2011.

Exit Conference

The Agency elected to waive its right for an exit conference to review internal observations and recommendations.

Management's Response

Management's responses to the observations and recommendations noted in the report were received on February 24, 2012. These responses have been incorporated into the report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state, and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2011-CDA13, issued April 21, 2011 contained three observations.

1. Opportunity to obtain Missouri sales and use tax exemption letter (**Resolved**)
2. Opportunity for board of directors to oversee Agency's operations (**Resolved**)
3. Opportunity to file monthly financial reports (**Repeated – See Current Observation #1**)

A-133 Status

According to a letter received from the Agency, dated October 19, 2011, it did not expend \$500,000 or more in federal funds in its calendar year ended December 31, 2010, and was not required to have an A-133 single audit report.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state, and local CDA requirements.

1. Opportunity to submit monthly financial and programmatic reports in a timely manner (**Repeated**)
2. Opportunity to improve internal controls over cash retention

DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

1. Opportunity To Submit Monthly Financial And Programmatic Reports In A Timely Manner (Repeated)

Three of the Agency's monthly programmatic reports were submitted late and the information was not available to determine if the remaining 6 were submitted as follows:

Report Month	Due Date	Date Submitted	Number of Days Late
January 2011	February 10, 2011	Not Available*	-
February 2011	March 10, 2011	Not Available*	-
March 2011	April 10, 2011	Not Available*	-
April 2011	May 10, 2011	June 1, 2011	22
May 2011	June 10, 2011	Not Available*	-
June 2011	July 10, 2011	Not Available*	-
July 2011	August 10, 2011	August 19, 2011	9
August 2011	September 10, 2011	September 15, 2011	5

Six of the Agency's monthly financial reports were submitted late and the information was not available to determine if the remaining 3 were submitted as follows:

Report Month	Due Date	Date Submitted	Number of Days Late
January 2011	February 10, 2011	April 21, 2011	70
February 2011	March 10, 2011	April 21, 2011	42
March 2011	April 10, 2011	April 21, 2011	11
April 2011	May 10, 2011	May 12, 2011	2
May 2011	June 10, 2011	July 2, 2011	22
June 2011	July 10, 2011	Not Available*	-
July 2011	August 10, 2011	August 18, 2011	8
August 2011	September 10, 2011	Not Available*	-
September 2011	October 10, 2011	Not Available*	-

** Information was not available to determine if these reports were submitted.*

Contract #11-36-17 states, "...the Operating Agency shall be required to submit monthly programmatic reports and financial statements no later than the 10th calendar day of each month to the Comptroller's Office-Federal Grants Section."

According to the Agency the office manager, who resigned in 2011, did not maintain adequate records of the submitted reports.

Non-compliance with the CDA regulations may cause a delay or suspension in the processing of reimbursement requests, resulting in an interruption to the Agency's services for its clients.

1. Continued...

Recommendation

It is recommended that the Agency establish a system of internal controls to ensure compliance with the reporting requirements of the grant contract.

Management's Response

Management concurs that we were negligent in submitting monthly programmatic and financial reports in a timely manner. It is our objective to comply with CDA regulations regarding reporting requirements and thus, we are committed to ensuring all future monthly programmatic and financial reports are submitted no later than the 10th working day of the month without exception.

2. Opportunity To Improve Internal Controls Over Cash Retention

Administered funds from contract #11-36-17 were used for reimbursements for rents. On March 14, 2011 the Agency was reimbursed \$2,400. The Agency, however, did not disburse the funds to the landlord until April 11, 2011. After the three working day period lapsed, the Agency failed to return the money to the Comptroller's office.

Section 2.10 of the CDA Operating Procedures Manual requires an operating Agency to disburse the federal funds within three working days of receiving the funds. If the funds cannot be disbursed within the three working day period, the funds must be returned immediately to the Comptroller's Office.

The Agency did not have an effective system of internal control to ensure its compliance with federal funds disbursement and retention requirements of the CDA Operating Procedures manual.

Failure to return the unused grant funds within 3 days may result in questioned costs or suspension or termination of the federal award. In addition, holding cash, especially in large amounts, increases the risk of misappropriation.

Recommendation

It is recommended that the Agency establish a system of internal controls to ensure its compliance with CDA federal funds retention and disbursement requirements.

Management's Response

Management concurs with your observation that there was a failure to maintain an effective system of internal control to ensure its compliance with federal funds and retention requirements of the CDA Operating Procedures manual. Effective immediately, management has implemented an internal control procedure in its Fiscal Policies and Procedures manual that mandates compliance with CDA federal funds and disbursement requirements. This internal control procedure will be strictly enforced in the future.